

U.S. Judge Denies Rewald Right to Sue CIA

By Charles Memminger
Star-Bulletin Writer

Judge Martin Pence today denied Ronald Rewald's request that the administrator of Rewald's bankrupt company give up his claim to sue the CIA and transfer that right to Rewald.

Rewald's attorney, Robert Smith, told Pence that the suit against the CIA was the investors' "only hope" of recouping their investments and that Rewald has "the greatest interest" of any parties involved in pursuing the claim.

He also pointed out that administrator Thomas Hayes has said publicly he thinks there is no basis for a suit against the CIA.

But bankruptcy attorney James Wagner said Hayes still is investigating the possibility of a suit against the CIA and did not want to give up the right to file such a suit.

Rewald is pursuing his claim against the CIA anyway, Smith said. He has filed a \$871-million claim against the CIA as a third-party plaintiff in another civil case related to the bankruptcy.

Smith said Rewald also is pursuing a personal claim against the CIA alleging mental anguish and distress. That suit currently is in limbo because of legal technicalities involved in suing the CIA.

Rewald also had wanted to sue the CIA on behalf of the bankrupt company, but Pence denied that request, too.

REWALD CONTENTS in court documents that he was a covert CIA agent and that the CIA propped up his company with large infusions of money.

Hayes has said he's found no documents to support that contention.

Smith said Hayes has not made an effort to trace company checks to the original source of their funds to confirm the alleged CIA involvement. Smith said such an effort would cost at least \$500,000, which Hayes does not want to spend.

Smith said Mainland attorney Melvin Belli, who is representing an investor in the bankrupt company, has agreed to bear that cost to pursue that contention.

Rewald met with Belli on his recent visit to the Mainland and said Belli is still anxious to pursue the CIA claim.

Belli is scheduled to come to Hawaii next month in connection with the claim.

Pence also this morning approved the foreclosure on 27 acres of North Shore ranch land by Charles Pietsch. Rewald had bought the land through an agreement of sale for \$3.38 million but had not been making the \$23,000 monthly interest payments on the property.

During another hearing yesterday, Judge Pence approved foreclosure proceedings on Rewald's home.

Rewald bought the four-bedroom house at 5875 Kalaniana'ole Highway through an agreement of sale in 1980 for \$950,000. He put down \$50,000 and agreed to pay \$10,000 a month.

BUT SINCE HIS company, Bishop, Baldwin, Rewald, Dillingham & Wong, was forced into bankruptcy last year, the trustee has not been making those payments.

"We couldn't afford to," said bankruptcy administrator Hayes. So, in an attempt to recoup some money for investors, trustee Reynaldo Grauly has agreed to a "friendly foreclosure," Hayes said.

Pence agreed yesterday to allow Edwin Thomas, who sold Rewald the house, to foreclose. He appointed Hayes as commissioner to

see that the house is sold. If Hayes is unsuccessful in finding a buyer, Thomas can come back to federal court and ask that the house be auctioned.

Just how much the house is worth is a matter of controversy. Hayes won't say how much he thinks it's worth because he does not want any potential buyers to know what amount he'll accept.

Attorney Wagner told Pence the house and property is worth at least \$1 million. That is an underestimate considering the 37,000-square-foot lot is fee-simple and oceanfront.

Rewald feels the property is worth closer to \$3 million. He said the house was appraised at \$2.4 million two years ago.

Rewald attended yesterday's court hearing even though he had no standing to object to the sale. It was the first time Rewald attended a federal court hearing in connection with his bankruptcy.

SMITH TOLD Pence that Rewald wants the house to be sold for as much as possible so that investors can get back more money. Smith said the house represents Rewald's biggest asset.

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